

**WATER AND SEWER SYSTEM OF THE  
CITY OF BRADFORD, ARKANSAS**

**AUDITED FINANCIAL STATEMENTS**

**For the Years Ended**

**December 31, 2023 and 2022**

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# **Bonds & Company, P.A.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
Water and Sewer System of the City of Bradford, Arkansas

### **Opinion**

We have audited the accompanying financial statements of the Water and Sewer System of the City of Bradford, Arkansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Sewer System of the City of Bradford, Arkansas, as of December 31, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Bradford, Arkansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Water and Sewer System of the City of Bradford, Arkansas and do not purport to, and do not, present fairly the financial position of the City of Bradford, Arkansas, as of December 31, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water and Sewer System of the City of Bradford, Arkansas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Other Information**

Management has omitted the Management's Discussion and Analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## *Disclaimer of Opinion on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Water and Sewer System of the City of Bradford, Arkansas as a whole. The supplementary information on pages 17 and 18 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In connection with our audit of the basic financial statements, our responsibility is to read the supplementary information on pages 17 and 18 and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Bonds & Company, P.A.*

Sherwood, Arkansas  
November 6, 2024

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
STATEMENTS OF NET POSITION  
As of December 31, 2023 and 2022

|   | 2023                | 2022                |
|---|---------------------|---------------------|
| ASSETS  |                     |                     |
| CURRENT ASSETS  |                     |                     |
| Cash  | \$ 23,224           | \$ 32,229           |
| Accounts receivable, net of allowance for doubtful accounts | <u>29,618</u>       | <u>28,162</u>       |
| TOTAL CURRENT ASSETS  | <u>52,842</u>       | <u>60,391</u>       |
| RESTRICTED ASSETS   |                     |                     |
| Regions escrow account                                      | 12,590              | 27,601              |
| Depreciation fund   | 27,164              | 25,364              |
| Debt service fund   | 21,807              | 20,574              |
| Meter Deposit fund  | 54,727              | 52,625              |
| Interfund receivable  | <u>2,000</u>        | <u>2,000</u>        |
| TOTAL SPECIAL RESERVE FUNDS                                 | <u>118,288</u>      | <u>128,164</u>      |
| PROPERTY AND EQUIPMENT                                      |                     |                     |
| Land  | 24,101              | 24,101              |
| Plant and equipment   | <u>3,505,522</u>    | <u>3,505,522</u>    |
|   | 3,529,623           | 3,529,623           |
| Accumulated depreciation                                    | <u>(1,988,895)</u>  | <u>(1,901,173)</u>  |
| TOTAL PROPERTY AND EQUIPMENT                                | <u>1,540,728</u>    | <u>1,628,450</u>    |
| TOTAL ASSETS  | <u>1,711,858</u>    | <u>1,817,005</u>    |
| DEFERRED OUTFLOWS OF RESOURCES                              |                     |                     |
| Deferred outflows of resources related to pension           | <u>37,194</u>       | <u>13,476</u>       |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES                        | <u>37,194</u>       | <u>13,476</u>       |
| TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES               | <u>\$ 1,749,052</u> | <u>\$ 1,830,481</u> |

The notes to financial statements are an integral part of this statement

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
STATEMENTS OF NET POSITION  
As of December 31, 2023 and 2022

|   | 2023                | 2022                |
|---|---------------------|---------------------|
| LIABILITIES AND NET ASSETS  |                     |                     |
| CURRENT LIABILITIES   |                     |                     |
| Accrued interest payable  | \$ 17,777           | \$ 15,298           |
| Other accrued liabilities   | 1,935               | 3,663               |
| Interfund payable   | 2,000               | 2,000               |
| Payable to sanitation fund  | 8,121               | 8,121               |
| Current portion long-term debt                                    | <u>54,843</u>       | <u>52,355</u>       |
| TOTAL CURRENT LIABILITIES   | <u>84,676</u>       | <u>81,437</u>       |
| LIABILITIES PAYABLE FROM RESTRICTED FUNDS                         |                     |                     |
| Customers' meter deposits   | <u>54,727</u>       | <u>52,625</u>       |
| TOTAL LIABILITIES PAYABLE FROM RESTRICTED FUNDS                   | <u>54,727</u>       | <u>52,625</u>       |
| NONCURRENT LIABILITIES  |                     |                     |
| Net pension liability   | <u>86,867</u>       | <u>49,916</u>       |
| TOTAL NONCURRENT LIABILITIES                                      | <u>86,867</u>       | <u>49,616</u>       |
| LONG-TERM DEBT  |                     |                     |
| Long-term debt, net of current portion                            | <u>845,557</u>      | <u>900,400</u>      |
| TOTAL LONG-TERM LIABILITIES                                       | <u>845,557</u>      | <u>900,400</u>      |
| TOTAL LIABILITIES   | <u>1,071,827</u>    | <u>1,084,378</u>    |
| DEFERRED INFLOWS OF RESOURCES                                     |                     |                     |
| Deferred inflows of resources related to pension                  | <u>12,947</u>       | <u>22,179</u>       |
| TOTAL DEFERRED INFLOWS OF RESOURCES                               | <u>12,947</u>       | <u>22,179</u>       |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES               | <u>1,084,774</u>    | <u>1,106,557</u>    |
| NET POSITION  |                     |                     |
| Invested in capital assets, net of related debt                   | 640,328             | 675,695             |
| Net Assets - Restricted   |                     |                     |
| Capital improvement   | 27,164              | 25,364              |
| Debt Service  | 21,807              | 20,574              |
| Net Assets - Unrestricted   | <u>(25,021)</u>     | <u>2,291</u>        |
| TOTAL NET POSITION  | <u>664,278</u>      | <u>723,924</u>      |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 1,749,052</u> | <u>\$ 1,830,481</u> |

The notes to financial statements are an integral part of this statement

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Years Ended December 31, 2023 and 2022

|  | 2023              | 2022              |
|--|-------------------|-------------------|
| OPERATING REVENUES                     |                   |                   |
| Water user fees                        | \$ 159,162        | \$ 161,699        |
| Sewer user fees                        | 95,511            | 101,880           |
| Late fees                              | 23,979            | 26,674            |
| Miscellaneous income                   | <u>18,749</u>     | <u>-0-</u>        |
| TOTAL OPERATING REVENUES               | <u>297,401</u>    | <u>290,253</u>    |
| OPERATING EXPENSES                     |                   |                   |
| Salaries                               | 74,666            | 61,141            |
| Insurance                              | 35,953            | 33,841            |
| Payroll Taxes                          | 2,529             | 5,568             |
| Repairs and maintenance                | 82,423            | 123,536           |
| Utilities                              | 22,271            | 21,046            |
| Chemicals                              | 17,840            | 12,460            |
| Employee benefits                      | 15,459            | 3,096             |
| Legal and auditing                     | 7,225             | 6,900             |
| Lab expense                            | 3,535             | 3,286             |
| Miscellaneous                          | 1,143             | 1,276             |
| Sales tax                              | 11,835            | 12,187            |
| Permits, licenses and dues             | 6,541             | 2,910             |
| Postage                                | 2,537             | 2,170             |
| Supplies                               | 4,277             | 3,169             |
| Trustee fees                           | 1,000             | 1,000             |
| Bad debt expense                       | -0-               | 478               |
| Contract Labor                         | 672               | -0-               |
| Depreciation expense                   | <u>87,722</u>     | <u>88,275</u>     |
| TOTAL OPERATING EXPENSES               | <u>377,628</u>    | <u>382,339</u>    |
| NET INCOME FROM OPERATIONS             | <u>(80,227)</u>   | <u>(92,086)</u>   |
| NON-OPERATING REVENUES (EXPENSES)      |                   |                   |
| Sales tax contributed by the City      | 65,441            | 75,113            |
| Interest income                        | 1,232             | 52                |
| Interest expenses                      | <u>(46,092)</u>   | <u>(43,496)</u>   |
| TOTAL NON-OPERATING REVENUE (EXPENSES) | <u>20,581</u>     | <u>31,669</u>     |
| CHANGE IN NET POSITION                 | (59,646)          | (60,417)          |
| NET POSITION, BEGINNING OF YEAR        | <u>723,924</u>    | <u>784,341</u>    |
| NET POSITION, END OF YEAR              | <u>\$ 664,278</u> | <u>\$ 723,924</u> |

The notes to financial statements are an integral part of this statement

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2023 and 2022

|   | 2023                     | 2022                     |
|---|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                          |                          |
| Cash received from customers  | \$ 298,047               | \$ 293,035               |
| Cash paid to suppliers  | (212,966)                | (240,140)                |
| Cash paid to employees  | <u>(74,666)</u>          | <u>(61,141)</u>          |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                  | <u>10,415</u>            | <u>(8,246)</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                          |                          |
| Payments for the purchase of property   | -                        | -                        |
| Interest received   | <u>1,232</u>             | <u>52</u>                |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>                        | <u>1,232</u>             | <u>52</u>                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                          |                          |
| Sales tax turnback from City  | 65,441                   | 75,113                   |
| Principal payments on long-term debt  | (52,356)                 | (49,983)                 |
| Interest payments on bonds  | <u>(43,613)</u>          | <u>(45,711)</u>          |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>                        | <u>(30,528)</u>          | <u>(20,581)</u>          |
| <b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>                     | (18,881)                 | (28,775)                 |
| <b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                           | <u>158,393</u>           | <u>187,168</u>           |
| <b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>                                 | <u><u>\$ 139,512</u></u> | <u><u>\$ 158,393</u></u> |
| <b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  |                          |                          |
| Net income (loss) from operations   | \$ (80,227)              | \$ (92,086)              |
| Adjustments to reconcile net income to net cash provided by operating activities: |                          |                          |
| Depreciation and amortization   | 87,722                   | 88,275                   |
| Decrease (increase) in deferred outflow of resources                              | (23,718)                 | (9,596)                  |
| Decrease (increase) in accounts receivable  | (1,456)                  | 601                      |
| Increase (decrease) in meter deposits liability                                   | 2,103                    | 2,181                    |
| Increase (decrease) in accrued expenses   | (1,727)                  | 1,443                    |
| Increase (decrease) in net pension liability                                      | 36,950                   | 29,690                   |
| Increase (decrease) in deferred inflows of resources                              | <u>(9,232)</u>           | <u>(28,754)</u>          |
| <b>Total Adjustments</b>  | <u>90,642</u>            | <u>83,840</u>            |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                  | <u><u>\$ 10,415</u></u>  | <u><u>\$ (8,246)</u></u> |
| <b>Supplemental cash flow disclosures</b>   |                          |                          |
| Interest expense (net of amount capitalized)                                      | \$ 43,613                | \$ 45,711                |

The notes to financial statements are an integral part of this statement



WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Reporting Entity. The Water and Sewer System of the City of Bradford, Arkansas (the System) is a component unit of the municipality of Bradford, Arkansas and accordingly is exempt from income tax.

The system serves substantially all of the industries and households in the city and at December 31, 2023 and 2022 had approximately 388 and 383 active accounts, respectively.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation. The System's financial statements are reported using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental proprietary and fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. The accounting policies of the System conform to applicable generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB). Operating revenues and expenses generally result from providing power, broadband, and water services in connection with the System's ongoing operations. Operating expenses include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates and assumptions are used in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Enterprise Funds service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenue and expenses fluctuate with the changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons. Accordingly, such comparisons have not been included.

Equity. Equity is classified as net assets and is displayed in three components:

Invested in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvements of these assets.

Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) by Board resolution.

Unrestricted net assets - consists of all other assets that do not meet the definition of "invested in capital assets" or "restricted."

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted funds first, then the unrestricted resources as needed.

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES CONT'D.

Structures and Improvements. Structures and improvements in service are valued at cost of construction. Any additions or extensions are added to the system at cost. Additions installed in place by customers and developers and contributed to the System are valued at their estimated fair value on the date donated.

Depreciation Expense. Depreciation of structures, improvements and additions to the system is charged on a straight-line basis over a period of 25-40 years. Depreciation of equipment, fixtures and buildings is charged on a straight-line basis over periods of 3 to 10 years.

Inventory. Materials are purchased as needed, therefore, inventory is not maintained.

Bond Issuance Cost. Debt discounts and issuance expenses are amortized over the life of the related bond issue.

Cash Equivalents. Cash equivalents consist of certificates of deposit that are readily converted into cash and generally have original maturities of one year or less.

Compensated Absences. The System allows two weeks' vacation and up to twelve days sick leave per year. The sick leave can be accumulated up to a total of twenty-four days, but vacation days must be used up within the year. The effect of compensated absences is not considered to be material in relation to the financial statements as a whole; therefore, no accrual was made by the System.

Receivables. Receivables are shown net of an allowance for uncollectible amounts. The balance of the allowance at December 31, 2023 and 2022 was \$146,590 and \$139,981, respectively.

Operating Revenues. Operating revenues generally result from providing services in connection with the principal ongoing operations. Revenues not meeting this definition are reported as other revenue.

NOTE 2 - CASH ON DEPOSIT

The System has not adopted a formal investment policy. Currently all funds other than escrow accounts are deposited at a local bank. The bank balances as of December 31, 2023 are insured by Federal Depository Insurance Funds or covered by pledged securities. The bank balances as of December 31, 2023 and 2022 total \$139,512 and \$169,987, respectively. These bank balances are classified in the following categories of credit risk:

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

NOTE 2 - CASH ON DEPOSIT CONT'D.

| Bank<br>Deposit<br><u>Covered By</u> | <u>Category</u>   |             |             | Book<br><u>Balance</u> | Collateral<br>Market<br><u>Value</u> |
|--------------------------------------|-------------------|-------------|-------------|------------------------|--------------------------------------|
|                                      | <u>1</u>          | <u>2</u>    | <u>3</u>    |                        |                                      |
| FDIC Insurance                       | \$ 169,987        | -           | -           | \$ 139,512             | \$ 169,987                           |
| Collateralized                       | -                 | -           | -           | -                      | -                                    |
| Uncollateralized                     | -                 | -           | -           | -                      | -                                    |
|                                      | <u>\$ 169,987</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 139,512</u>      | <u>\$ 169,987</u>                    |

The collateral for the System's deposits is categorized to give an indication of the level of risk assumed by the System at year end. Category 1 includes deposits that are insured or collateralized with securities held by the System or its agents in the System's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the System's name. Category 3 includes uncollateralized deposits.

NOTE 3 - PROPERTY AND EQUIPMENT

Activity for fixed assets which are capitalized by the System for the years ended December 31, 2023 and 2022 is summarized below:

|                              | <u>Balance at<br/>12/31/2022</u> | <u>Additions</u>   | <u>Disposals</u> | <u>Balance at<br/>12/31/2023</u> |
|------------------------------|----------------------------------|--------------------|------------------|----------------------------------|
| Land                         | \$ 24,101                        | \$ -               | \$ -             | \$ 24,101                        |
| Buildings & Plant            | 3,075,925                        | -                  | -                | 3,075,925                        |
| Equipment                    | 429,597                          | -                  | -                | 429,597                          |
| CIP                          | -                                | -                  | -                | -                                |
| Total                        | <u>\$ 3,529,623</u>              | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ 3,529,623</u>              |
| Accumulated Depreciation     | <u>\$(1,901,173)</u>             | <u>\$ (87,722)</u> | <u>\$ -</u>      | <u>\$(1,988,895)</u>             |
| Total Property and Equipment | <u>\$ 1,628,450</u>              | <u>\$ (87,722)</u> | <u>\$ -</u>      | <u>\$ 1,540,728</u>              |

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

|                              | Balance at<br><u>12/31/2021</u> | <u>Additions</u>   | <u>Disposals</u> | Balance at<br><u>12/31/2022</u> |
|------------------------------|---------------------------------|--------------------|------------------|---------------------------------|
| Land                         | \$ 24,101                       | \$ -               | \$ -             | \$ 24,101                       |
| Buildings & Plant            | 3,075,925                       | -                  | -                | 3,075,925                       |
| Equipment                    | 429,597                         | -                  | -                | 429,597                         |
| CIP                          | -                               | -                  | -                | -                               |
| Total                        | \$ 3,529,623                    | \$ -               | \$ -             | \$ 3,529,623                    |
| Accumulated Depreciation     | \$(1,812,898)                   | \$ (88,275)        | \$ -             | \$(1,901,173)                   |
| Total Property and Equipment | <u>\$ 1,716,725</u>             | <u>\$ (88,275)</u> | <u>\$ -</u>      | <u>\$ 1,628,450</u>             |

NOTE 4 - SPECIAL RESERVE FUNDS

Bond Escrow Funds - accounts for the semi-annual payment of principal and interest on the outstanding bonds. The System is required to transfer monthly payments in sufficient amounts to cover the semi-annual payments. The balance of the two escrow funds at December 31, 2023 were \$9,820 and \$2,770 and the balances at December 31, 2022 were \$21,347 and \$6,254.

Depreciation Fund - reserve to fund retirements and replacements of the System's infrastructure. The balance at December 31, 2023 and 2022 was \$27,164 and \$25,364, respectively.

Meter Deposit Fund - accounts for meter deposits paid by customers. These funds are used to pay the water charges if a customer defaults on his account; otherwise, the deposit is refunded when the customer moves. At December 31, 2023 and 2022, the balance in the fund was \$54,727 and \$52,625, respectively.

Debt Service Funds - accounts for payment of principal and interest on the outstanding bonds with USDA require the equivalent of one annual payment on each loan that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. The monthly debt service reserve is to be \$149.80 a month, until \$17,976 is accumulated for Loan #91-01. The monthly debt service reserve is to be \$17.70 a month, until \$2,124 is accumulated for Loan #91-04. The monthly debt service reserve is to be \$92.10 a month, until \$11,052 is accumulated for Loan #91-05. The monthly debt service reserve is to be \$20.80 a month, until \$2,496 is accumulated for Loan #91-06. The total required for all four loans as of December 31, 2023 is \$33,648, of which \$21,807 is currently funded. The balance of the debt service fund at December 31, 2023 and December 31, 2022 were \$21,807 and \$20,574, respectively.

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

NOTE 5 - LONG-TERM DEBT

Long-term debt is secured by the properties and assets, both real and personal of the System, including an assignment and pledge of revenues. The following revenue and construction bonds are outstanding as follows:

|   | <u>2023</u>              | <u>2022</u>              |
|---|--------------------------|--------------------------|
| <b>Rural Economic and Community Development Services</b>  |                          |                          |
| Water Revenue Bonds, Series 1992, due in monthly installments of \$1,498 through 2032, monthly interest at an annual interest rate of 5%, secured by restricted funds and operating revenues.   | 111,910                  | 123,962                  |
| Water Revenue Bonds, Series 1992, due in monthly installments of \$177, through 2033, monthly interest at an annual rate of 5%, secured by restricted funds and operating revenues.   | 12,643                   | 14,096                   |
| Water Revenue Bonds, Series 1999, due in monthly installments of \$921 through 2039, monthly interest at an annual rate of 3.25%, secured by restricted funds and operating revenues.   | 136,157                  | 142,669                  |
| Water Revenue Bonds, Series 2000, due in monthly installments of \$208 through 2040, monthly interest at an annual rate of 3.25%, secured by restricted funds and operating revenues.   | 30,823                   | 32,291                   |
| <b>Arkansas Natural Resources Commission</b>  |                          |                          |
| Water Revenue Bond, Series 2007, due in semi-annual installments of \$24,824 on June 1 and December 1 of each year through 2036, monthly interest at an annual rate of 4.90%. Amounts to be paid in advance on a monthly installment basis in amounts to be determined monthly by ANRC and held in interest bearing reserve and is secured by operating funds | 486,146                  | 511,054                  |
| Water, Sewer and Solid Waste Fund Bond, Series 2007. Payment on principal is deferred for 10 years and interest is waived for 10 years. Interest at a rate of 5% will begin on December 1, 2016 with the first payment of \$12,397 due December 1, 2017 and every December 1 thereafter through 2036.   | <u>122,721</u>           | <u>128,683</u>           |
| <b>Total long-term debt</b>   | <b>\$ 900,400</b>        | <b>\$ 952,755</b>        |
| Less current portion  | <u>(54,843)</u>          | <u>(52,355)</u>          |
| Long-term debt, net of current portion  | <u><u>\$ 845,557</u></u> | <u><u>\$ 900,400</u></u> |

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

NOTE 5 - LONG-TERM DEBT CONT'D.

Activity for long-term debt for the years ended December 31, 2023 and 2022 is summarized below.

|       | <u>Balance at<br/>12/31/2022</u> | <u>Advances</u> | <u>Payments</u>  | <u>Balance at<br/>12/31/2023</u> | <u>Current<br/>Portion</u> |
|-------|----------------------------------|-----------------|------------------|----------------------------------|----------------------------|
| USDA  | \$ 313,018                       |                 | \$ 21,484        | \$ 291,534                       | \$ 22,439                  |
| ANRC  | <u>639,737</u>                   |                 | <u>30,871</u>    | <u>608,866</u>                   | <u>32,404</u>              |
| Total | <u>\$ 952,755</u>                | <u>\$ -0-</u>   | <u>\$ 52,355</u> | <u>\$ 900,400</u>                | <u>\$ 54,843</u>           |

|       | <u>Balance at<br/>12/31/2021</u> | <u>Advances</u> | <u>Payments</u>  | <u>Balance at<br/>12/31/2022</u> | <u>Current<br/>Portion</u> |
|-------|----------------------------------|-----------------|------------------|----------------------------------|----------------------------|
| USDA  | \$ 333,590                       |                 | \$ 20,572        | \$ 313,018                       | \$ 21,484                  |
| ANRC  | <u>669,148</u>                   |                 | <u>29,411</u>    | <u>639,737</u>                   | <u>30,871</u>              |
| Total | <u>\$ 1,002,738</u>              | <u>\$ -0-</u>   | <u>\$ 49,983</u> | <u>\$ 952,755</u>                | <u>\$ 52,355</u>           |

Principal and interest payments due in future years are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt<br/>Service</u> | <u>Interest<br/>Rate</u> |
|-------------|------------------|-----------------|-------------------------------|--------------------------|
| 2024        | 54,843           | 40,850          | 95,693                        | 3.25 - 5.00%             |
| 2025        | 57,450           | 38,243          | 95,693                        | 3.25 - 5.00%             |
| 2026        | 60,185           | 35,508          | 95,693                        | 3.25 - 5.00%             |
| 2027        | 63,050           | 32,643          | 95,693                        | 3.25 - 5.00%             |
| 2028        | 66,056           | 29,637          | 95,693                        | 3.25 - 5.00%             |
| 2029 - 2033 | 325,743          | 101,109         | 426,852                       | 3.25 - 5.00%             |
| 2034 - 2038 | 262,812          | 28,317          | 291,129                       | 3.25 - 5.00%             |
| 2039 - 2043 | 10,261           | 143             | 10,404                        | 3.25 - 5.00%             |

NOTE 6 - EMPLOYEE BENEFITS

The employees are covered under the Arkansas Public Employee Retirement System. This plan requires the System to contribute 15.32% and 15.32% of salaries for all employees who elect to participate. The contribution for 2023 and 2022 was \$11,459 and \$11,756, respectively.

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

NOTE 7 - RETIREMENT PLAN

**Plan Description**

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

APERS is a cost sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

**Benefits Provided**

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

|  |       |
|--|-------|
| Contributory, prior to 7/1/2005                              | 2.07% |
| Contributory, on or after<br>7/1/2005, but prior to 7/1/2007 | 2.03% |
| Contributory on or after 7/1/2007                            | 2.00% |
| Non-Contributory   | 1.72% |

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**Contributions**

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

**APERS Fiduciary Net Position**

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

The collective Net Pension Liability of \$2,914,186,564 was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

Deferred outflows of resources and deferred inflows of resources related to pensions for the water and sewer system of the city of Bradford, Arkansas are as follows:

|  | Deferred Outflows<br>of Resources | Deferred Inflows of<br>Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 4,903                          | \$(477)                          |
| Changes in Proportion and differences between employer contributions and proportionate share of contribution | \$17,395                          | \$(12,470)                       |
| Changes of assumptions   | \$4,084                           |                                  |
| Net difference between projected and actual earnings on pension plan investments                             | \$ 10,812                         |                                  |
| Total  | \$ 37,194                         | \$(12,947)                       |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Water and Sewer System of the City of Bradford, Arkansas' financial statements as follows:

| 2024     | 2025     | 2026      | 2027    | 2028 | Thereafter |
|----------|----------|-----------|---------|------|------------|
| \$ 2,107 | \$ 5,100 | \$ 17,769 | \$(729) | \$-  | \$-        |



**WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Actuarial Assumptions**

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                     |  |
|-------------------------------------|--|
| Actuarial Cost Method               | Entry Age Normal   |
| Amortization Method                 | Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)  |
| Remaining Amortization Period       | 23 years (6.6 years for District Judges New Plan/Paid Off Old Plan and 15 years for District Judges Still Paying Old Plan)   |
| Asset Valuation Method              | 4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)  |
| Investment Rate of Return           | 7%   |
| Inflation                           | 3.25% wage inflation, 2.50% price inflation  |
| Salary Increases                    | 3.25 – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)   |
| Retirement Age                      | Experience-based table of rates that are specific to the type of eligibility condition   |
| Mortality Table                     | Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.o 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females |
| Average Service Life of All Members | 3.7241   |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023 are summarized in the table below:

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

| Asset Class                               | Target Allocation | Long-Term Expected<br>Real Rate of Return |
|---|-------------------|---|
| Broad Domestic Equity                     | 37%               | 6.19%                                     |
| International Equity                      | 24%               | 6.77%                                     |
| Real Assets                               | 16%               | 3.34%                                     |
| Absolute Return                           | 5%                | 3.36%                                     |
| Domestic Fixed                            | <u>18%</u>        | 1.79%                                     |
| Total                                     | 100%              |   |
| Total Real Rate of Return                 |                   | 4.94%                                     |
| Plus: Price Inflation- Actuary Assumption |                   | <u>2.50%</u>                              |
| Net Expected Return                       |                   | 7.44%                                     |

**Discount Rate**

A single discount rate of 7% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

**Sensitivity of Discount Rate**

| 1% Lower<br>6%    | Discount Rate<br>7% | 1% Higher<br>8%  |
|-------------------|---------------------|------------------|
| <u>\$ 138,459</u> | <u>\$86,867</u>     | <u>\$ 44,361</u> |

**NOTE 8 - SUBSEQUENT EVENTS**

The Water and Sewer District of the City of Bradford, Arkansas has evaluated subsequent events through November 7, 2024, which is the date that the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
DEPARTMENTAL STATEMENT OF REVENUES AND EXPENSES  
For the Year Ended December 31, 2023

|                                    | <u>Water</u>       | <u>Sewer</u>       | <u>Total</u>       |
|------------------------------------|--------------------|--------------------|--------------------|
| OPERATING REVENUES                 |                    |                    |                    |
| User fees                          | \$ 159,162         | \$ 95,511          | \$ 254,673         |
| Late Fees                          | 15,107             | 8,872              | 23,979             |
| Miscellaneous Income               | <u>13,204</u>      | <u>5,545</u>       | <u>18,749</u>      |
| TOTAL OPERATING REVENUES           | <u>187,473</u>     | <u>109,928</u>     | <u>297,401</u>     |
| OPERATING EXPENSES                 |                    |                    |                    |
| Wages                              | 42,826             | 31,840             | 74,666             |
| Insurance                          | 17,069             | 18,883             | 35,952             |
| Payroll Taxes                      | 2,529              | -0-                | 2,529              |
| Parts and repairs                  | 51,442             | 30,981             | 82,423             |
| Utilities                          | 9,564              | 12,708             | 22,272             |
| Chemicals                          | 4,141              | 13,699             | 17,840             |
| Employee Benefits                  | 7,945              | 7,514              | 15,459             |
| Miscellaneous Expense              | 700                | 443                | 1,143              |
| Audit and Legal                    | 3,613              | 3,612              | 7,225              |
| Lab Tests                          | -0-                | 3,535              | 3,535              |
| Permits, Licenses and Dues         | 5,733              | 808                | 6,541              |
| Postage                            | 1,321              | 1,216              | 2,537              |
| Supplies                           | 1,255              | 3,022              | 4,277              |
| Trustee Fees                       | 1,000              | -0-                | 1,000              |
| Contract Labor                     | -0-                | 672                | 672                |
| Sales tax expense                  | 8,285              | 3,550              | 11,835             |
| Depreciation                       | <u>74,077</u>      | <u>13,645</u>      | <u>87,722</u>      |
| TOTAL OPERATING EXPENSES           | <u>231,500</u>     | <u>146,128</u>     | <u>377,628</u>     |
| NET INCOME FROM OPERATIONS         | <u>(44,027)</u>    | <u>(36,200)</u>    | <u>(80,227)</u>    |
| NON-OPERATING REVENUES (EXPENSES)  |                    |                    |                    |
| Sales tax contributed by the City  | 25,546             | 39,895             | 65,441             |
| Interest Income                    | 1,232              | -0-                | 1,232              |
| Interest Expense                   | <u>(28,577)</u>    | <u>(17,515)</u>    | <u>(46,092)</u>    |
| TOTAL NON-OPERATING REVENUES (EXP) | <u>(1,799)</u>     | <u>22,380</u>      | <u>20,581</u>      |
| NET INCOME (LOSS)                  | <u>\$ (45,826)</u> | <u>\$ (13,820)</u> | <u>\$ (59,646)</u> |

WATER AND SEWER SYSTEM OF THE CITY OF BRADFORD, AR  
DEPARTMENTAL STATEMENT OF REVENUES AND EXPENSES  
For the Year Ended December 31, 2022

|                                    | <u>Water</u>       | <u>Sewer</u>       | <u>Total</u>       |
|------------------------------------|--------------------|--------------------|--------------------|
| OPERATING REVENUES                 |                    |                    |                    |
| User fees                          | \$ 161,699         | \$ 101,880         | \$ 263,579         |
| Late Fees                          | 16,538             | 10,136             | 26,674             |
| Miscellaneous Income               | <u>-0-</u>         | <u>-0-</u>         | <u>-0-</u>         |
| TOTAL OPERATING REVENUES           | <u>178,237</u>     | <u>112,016</u>     | <u>290,253</u>     |
| OPERATING EXPENSES                 |                    |                    |                    |
| Wages                              | 31,259             | 29,882             | 61,141             |
| Insurance                          | 16,758             | 17,083             | 33,841             |
| Payroll Taxes                      | 2,936              | 2,632              | 5,568              |
| Parts and repairs                  | 63,902             | 59,634             | 123,536            |
| Utilities                          | 8,187              | 12,859             | 21,046             |
| Chemicals                          | 6,134              | 6,325              | 12,459             |
| Employee Benefits                  | 1,843              | 1,253              | 3,096              |
| Miscellaneous Expense              | 700                | 576                | 1,276              |
| Audit and Legal                    | 3,450              | 3,450              | 6,900              |
| Lab Tests                          | -0-                | 3,286              | 3,286              |
| Permits, Licenses and Dues         | 2,302              | 608                | 2,910              |
| Postage                            | 1,739              | 431                | 2,170              |
| Supplies                           | 3,169              | -0-                | 3,169              |
| Trustee Fees                       | 1,000              | -0-                | 1,000              |
| Bad Debt Expense                   | -0-                | 478                | 478                |
| Sales tax expense                  | 7,556              | 4,632              | 12,188             |
| Depreciation                       | <u>74,443</u>      | <u>13,832</u>      | <u>88,275</u>      |
| TOTAL OPERATING EXPENSES           | <u>225,378</u>     | <u>156,961</u>     | <u>382,339</u>     |
| NET INCOME FROM OPERATIONS         | <u>(47,141)</u>    | <u>(44,945)</u>    | <u>(92,086)</u>    |
| NON-OPERATING REVENUES (EXPENSES)  |                    |                    |                    |
| Sales tax contributed by the City  | 31,701             | 43,412             | 75,113             |
| Interest Income                    | 52                 | -0-                | 52                 |
| Interest Expense                   | <u>(26,968)</u>    | <u>(16,528)</u>    | <u>(43,496)</u>    |
| TOTAL NON-OPERATING REVENUES (EXP) | <u>4,785</u>       | <u>26,884</u>      | <u>31,669</u>      |
| NET INCOME (LOSS)                  | <u>\$ (42,356)</u> | <u>\$ (18,061)</u> | <u>\$ (60,417)</u> |